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Report Highlights:

The European Commission (EC) and the Government of Spain (GOS) are currently debating potential wine production, marketing, and trade policy reform measures, as the EC attempts to modernize one of the most protected and antiquated sectors of European Agriculture. Some parts of the current dizzying conglomeration of EC/GOS production and trade policies date back to the very beginning of the European Union (EU) and Spain's entry into the EU.

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Executive Summary

In this report we focus on the rather amazing array of production, marketing and trade policies that currently govern Spanish wine production, and marketing. It appears that the myriad of subsidization policies, while economically important to local producers, may have had the perverse effect of slowing Spain's competitiveness vis-à-vis New World producers who have not been hindered by the Governmental controls inherent with Government subsidization. As an example, while New World wine producers increase market share in the Spanish market, Spain's producers will send a large quantity of marketing year (MY) 2006 quality wine to distillation this year.

Spanish wine producers, the GOS, and the EC must now wrestle with these policies, if they are to achieve their stated goal, to modernize and make competitive the industry. The task appears daunting, because producers and their Government representatives will not likely give up the subsidization, both the levels and the forms, without a substantial amount of convincing. However, now that the EC is negotiating free trade agreements with New World wine producers, and with countries through which New World wines can be exported to Spain, which provides them with tariff-free access to the Spanish market, the time may be ripe for change.

Production

PSD Table

Country Commodity	Spain		Wine		(1000 MT)(1000 HL)		UOM
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate	
Market Year Begin	09/2004		09/2005		09/2006		MM/YYYY
TOTAL Grape Crush	0	6980	0	5634	0	6000	(1000 MT)
Begin Stock (Ctrl App)	0	23797	0	25290	0	24600	(1000 HL)
Begin Stock (Other)	0	10252	0	12442	0	12424	(1000 HL)
TOTAL Beginning	0	34049	0	37732	0	37024	(1000 HL)
Stocks							
Prod. from Wine Grapes	0	41906	0	39773	0	40100	(1000 HL)
Prod. from Tabl Grapes	0	5	0	4	0	4	(1000 HL)
TOTAL PRODUCTION	0	41911	0	39777	0	40104	(1000 HL)
Intra-EU Imports	0	311	0	311	0	300	(1000 HL)
Other Imports	0	22	0	12	0	15	(1000 HL)
TOTAL Imports	0	333	0	333	0	315	(1000 HL)
TOTAL SUPPLY	0	76293	0	77842	0	77443	(1000 HL)
Intra-EU Exports	0	11277	0	9788	0	9500	(1000 HL)
Other Exports	0	3084	0	4230	0	4200	(1000 HL)
TOTAL Exports	0	14361	0	14018	0	13700	(1000 HL)
Dom.Consump(Cntrl App)	0	3700	0	3800	0	3900	(1000 HL)
Dom.Consump(Other)	0	20500	0	23000	0	23000	(1000 HL)
TOTAL	0	24200	0	26800	0	26900	(1000 HL)
Dom.Consumption							
End Stocks (Cntrl App)	0	25290	0	24600	0	24000	(1000 HL)
End Stocks (Other)	0	12442	0	12424	0	12843	(1000 HL)
TOTAL Ending Stocks	0	37732	0	37024	0	36843	(1000 HL)
TOTAL DISTRIBUTION	0	76293	0	77842	0	77443	(1000 HL)

While Spain has the world's largest vineyard, with 1.2 million hectares planted to grapes, it lags both France and Italy in volume and value of wine produced. Both climatic factors and historical practices affect Spain's relatively low yield per acre. Many regions lack optimal growing conditions, with sloping land that is difficult to maintain, and/or infertile soil. General water shortages and frequent droughts have also limited productivity.¹

Despite these relatively low yields, certain Spanish regions have begun to enhance productivity. For example, in Andalucia, grape growers have increased yields due to a higher planting density of new varieties. Other regions like Catalonia and Rioja continue to shift their production away from growing table wine varieties to quality wine grape production, with yields significantly higher than European Union averages.

¹ For more on Spain's drought, see FAS Report (SP6007) "[Agricultural Situation: Drought Update.](#)"

Spain: Wine & Must Production (1000 MT)

Province						
	2002	2003	2004	2005	2006	Share of Total (%)
Castilla-Mancha	20344	25528.4	26300.4	20819.6	20826.8	51.9%
Cataluña	3137.9	3691.6	4045.4	2716	3162.2	7.9%
Extremadura	3527.2	4620.9	4058.4	3213.9	2770.6	6.9%
C. Valenciana	2973	3500.2	2711.4	2675.2	2083.7	5.2%
La Rioja	1419.3	2235.5	2427.4	2100	2065	5.1%
Castilla y Leon	1338.7	1721.2	1870.4	1676.2	2020.2	5.0%
Galicia	1177.9	1784.9	1912.1	1481.3	1594.9	4.0%
Aragon	1026.2	1193.3	1628.8	1297.9	1384.5	3.5%
Andalucia	1964.3	1899.6	2079.5	1173.2	1239.6	3.1%
Navarra	661	933.4	1231.6	893.7	1050	2.6%
Pais Vasco	408.3	636.6	705.5	623	649.8	1.6%
R. de Murcia	738.7	698.2	608.6	608.6	585	1.5%
Madrid	518.2	642.2	277	268	430.9	1.1%
Canarias	154.1	195.2	158.7	181.9	205	0.5%
Baleares	26	53.4	42.2	40.8	44	0.1%
P. de Asurias	3.6	3.5	3.9	3	3.8	0.0%
Cantabria	0.9	0.7	0.9	0.7	0.9	0.0%
Total	39419.3	49388.7	50062.3	39772.9	40116.9	100.0%

Source: Mapa.es "Avances y Cultivos".

Production Policies

As an EU Member State (MS), Spain's wine production policy is governed by its domestic laws as well as the EU's Common Market Organization (CMO) on Wine. EU policy makers seek to not only maintain an appropriate balance between supply and demand, but also to improve the competitiveness and productivity of the sector. The wine CMO includes a series of supports and subsidies to benefit MS that specialize in the production and the export of wine. The EC claims that these supports fall under the EU's rural development policy, and include aid for distillation and public storage, storage of wine and musts, use of musts, export refunds, restructuring and conversion, and abandonment. According to the latest European Agricultural Guidance and Guarantee Fund (EAGGF) Financial Report (hereafter EAGGF report), the EU paid Spanish producers 461.7 million euros, or 36 percent of the total expenditure (1,267.2 million euros) during the 2005 EU Marketing year (MY).

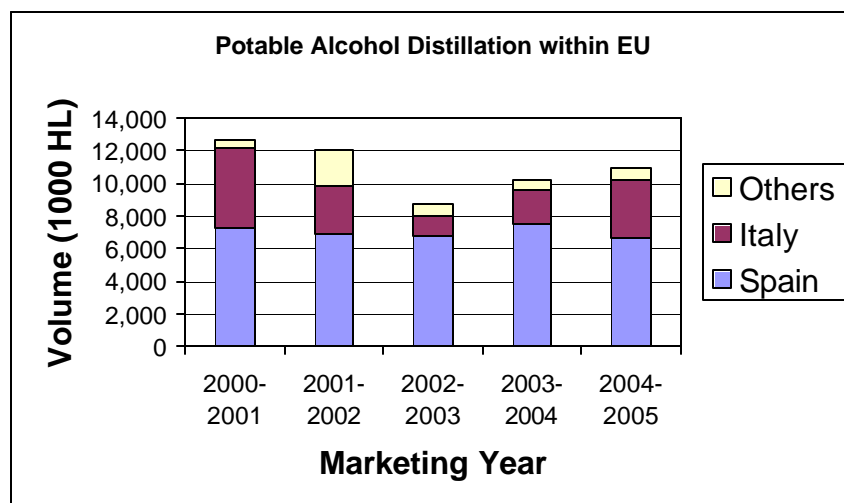
In 1999, the EC revised its mechanisms for production support for the wine sector in the EU. In subsequent years, it set forth legislation on specific individual parts of the sector. Spain passed its most recent major wine law in 2003.

Legislation	Date	Description
Council Regulation (CE) No 1493/1999	1999	Common Market Organization of the Wine Sector. Last amended by Commission Regulation (EC) No 643/2006.
Commission Regulation (CE) No 1227/2000	2000	Sets EU regulations regarding production potential. Last amended by Commission Regulation (EC) No 1216/2005.
Commission Regulation (CE) No 1623/2000	2000	Sets EU regulations regarding market mechanisms. Last amended by Commission Regulation (EC) No 1221/2006.
Commission Regulation (CE) No 1622/2000	2000	Sets EU regulations regarding oenological practices. Last amended by Commission Regulation (EC) No 1507/2006 .
Commission Regulation (EC) No 883/2001	2001	Sets EU regulations regarding trade with third countries. Last amended by Commission Regulation (EC) No 2079/2005.
Commission Regulation (EC) No 2805/95	1995	Sets EU regulations regarding export refunds. Last amended by Commission Regulation (EC) No 2805/95.
Spanish Law "Ley de la Viña y del Vino" 24/2003, de 10 de julio	2003	Spanish domestic law regarding the wine sector.

Distillation and Public Storage

To handle instances of excess supply, the EU pays producers to withdraw production surpluses from the market. This wine surplus is then processed through distillation into alternative uses including potable alcohol, biofuel, or industrial cleaners. Distillation measures create a subsidized market for surplus wine and insure a minimum price for wine producers. While originally designed for occasional surpluses, distillation of wine has become commonplace, as wine production regularly exceeds demand. Essentially, it appears that distillation subsidies create incentives for overproduction, helping to maintain the current structural imbalance within the wine sector, because many producers now appear to depending on this income support to stay in business.

In Spain, producers continue to shift large stocks of table wine towards distillation. During the MY 2006, Spanish wine producers distilled 6.5 million hectoliters of excess table wine into potable alcohol. As the following table notes, Spanish wine producers frequently distill a substantial portion of EU potable alcohol distillation.



Source: Spanish Wine Federation 2005 annual report.

Furthermore, Spain has utilized EU crisis distillation measures on several occasions within recent years. For example, the EU recently approved two separate and large crisis distillation measures for high-quality wine for Spain.² In both cases, the buildup of large surpluses of high-quality wine in separate regions of Spain triggered a fall in wine prices and a rise in wine stocks. If fully realized, the EU will pay for the removal of nearly 500,000 hectoliters of quality wine from the marketplace during MY 2006. According to the latest EAGGF report, the EU paid 178.2 million euros towards Spanish distillation during MY 2005. Finally, these intervention measures often lead to public storage of the subsequent by-products. During MY 2005, the EU paid Spain 70.1 million Euros for this public storage.

Storage Aid

To maintain price stability and mitigate the effects of yearly fluctuations in yield within the table wine market, the EU pays producers to put a portion of production into temporary storage. Ideally, producers in turn sell this wine during periods of shortages in production. Occasionally at the end of the storage period, some of this wine may go into distillation.

² See [Commission Regulation \(EC\) 1089/2006](#) and [Commission Regulation \(EC\) 1517/2006](#).

Without the storage aid, producers may have sold the wine in the market, thereby further depressing prices. Then again, these producers may be predisposed to storing their wine anyway. In this case, this storage aid payment may pay producers for something they would have done regardless. This subsidy also often falls disproportionately among only a few select regions. For example, the Spanish province of Castilla la Mancha received 75 percent of the total private storage contracts, while only producing 50 percent of the country's wine. In the EU's most recent reporting, Spain received 30.7 million Euros for private storage in 2005.

Enrichment and the Use of Musts

To preserve traditional wine making practices and to insure an appropriate and uniform wine quality, the EU established guidelines concerning the enrichment of wines. Enrichment by adding sugar (a process known as chaptalisation) or use of musts increases the alcoholic strength of the wine. Due to climatic factors and their historical use, Northern MS may add beet or cane sugar to aid in this increase. However, as it is believed they have ideal wine growing areas, Mediterranean wine producing countries are forbidden by EU oenological wine making practices from using chaptalisation. As the use of sugar can increase alcohol strength at a third of the cost of musts, the EU established specific aid for the use of musts. During the 2005 Agricultural year, Spanish producers received 21.2 million euros for the utilization of musts.

Export Refunds

In order to boost exports, the EU pays export refund subsidies to some Spanish exporters. With these refunds, the producer receives the difference between domestic table wine prices and the price of the wines on the world market. Besides producer support in gaining market share abroad, these refunds shift wine away from the domestic market in order to reduce market excesses and avoid low price levels. Spain receives a large proportion of these refunds. During its 2005 fiscal year, the EU paid Spanish wine producers 13.9 million euros.

Restructuring and Conversion

In order to balance wine supply with current consumption patterns, the EU pays subsidies to wine producers to restructure or convert land holdings. This restructuring will shift production away from table wine production towards quality wine production. Essentially, the EU grants substantial incentives to producers to shift their production to match the current global demand of wine. Each MS receives restructuring and conversion allocations based upon the size of their land holdings and production. If a MS does not use its allocation, other MSs may apply for a portion of their allocation. During MY 2006, the EU paid wine producers 449 million euros for this conversion and restructuring. It is expected to pay similar amounts during the current marketing year.³

In Spain, these support measures have promoted varietal change as some producers have upgraded their grape production from low quality "airen" and "padina" varieties to the high quality "tempranillo" variety. During the last marketing year, Spanish wine producers received 158 million euros to convert 23, 325 hectares of land, or 6,775 euros per hectare.⁴ Due to lack of interest in other parts of the EU, and subsequent community surpluses, Spain received an additional 6.5 million euros for the conversion of 2,194 hectares more than

³ See Gain Report E34076 "[EU Subsidies for the Restructuring and Conversion of Vineyards](#)"

⁴ See [Commission Decision of the 4 October 2006](#).

previously budgeted. During the next marketing year, Spanish wine producers will receive 160 million euros to covert and restructure 20,000 hectares of vineyards.⁵⁶

Abandonment

As an additional measure to reduce the supply of wine, the EU pays producers to “grub up” or abandon vineyards. This practice is thought to reduce the supply of low value wines, thereby, in theory, boosting market prices within the EU. Since its implementation in 1975/1976, this practice has reduced the EU wine producing areas from 4.5 million hectares to 3.2 million in 2005.

From MY 1988/1989- 1995/1996, many Spanish producers implemented this practice, abandoning about 220,000 hectares of vineyards. These producers replaced their vines mostly with cereals, but sometimes with olive trees and orchards. In Castilla La Mancha, many abandoned vineyards have remained abandoned for all other forms of agriculture due to the arid conditions. Due to the tremendous subsidization currently available, and the resulting lack of better economic alternatives, Spanish producers have resisted abandoning further land holdings in recent years.

Planting Rights

After MY 1975, the EC prohibited the issuance of new planting rights for new vineyards. This practice, combined with the payment of substantial abandonment premiums, successfully decreased the production potential of the EU, thereby temporarily reducing the market glut of wine. This practice also likely perpetuated inefficiencies within the market and hindered the natural development of the industry.

Following several low producing years, the EU relaxed these planting restrictions in 1999, so that MSs could plant new vines dedicated to the production of quality wine. Member states received these limited new planting rights based upon production potential. Spain received allocations to plant 17,355 new hectares.

Most Recent Allocation of New Planting Rights

Country	Hectares
Germany	1534
Greece	1098
Spain	17355
France	13565
Italy	12933
Luxembourg	18
Austria	737
Portugal	3760
Community Reserve	7000

⁵ See [Community Decision of the 19 October 2006](#).

⁶ For more on restructuring in Spain, see Gain Report SP5035 [“Green Box” Subsidies? Why should U.S. Wine Producers Compete with Trade D?](#)

Consumption

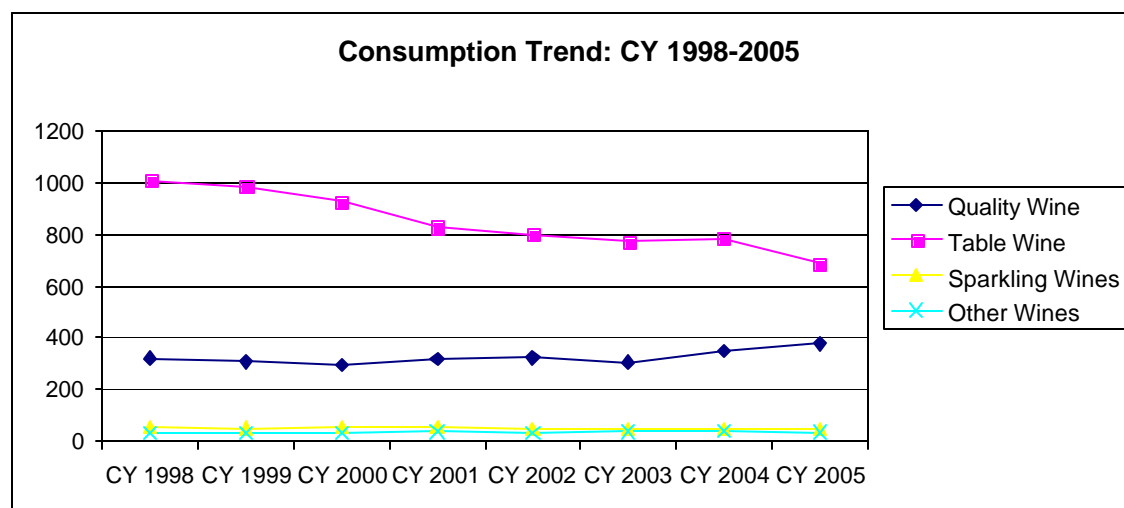
Levels of domestic wine consumption within the European Union are in decline. Rising incomes and lifestyle changes have led to changing consumption patterns as consumers drink higher quality wine less frequently. Recent public health awareness campaigns that have emphasized the dangers of excessive alcohol consumption may also have limited the quantity of wine consumed.

Like consumers in other EU MSs, Spanish consumers prefer lesser amounts of table wine and more high-quality wine. For example, during MY 2006, Spanish consumers spent 42 million euros more (+5.44 percent) on 3.6 million less kilograms (-.80 percent). As a result, per capita consumption within Spain continues to drift downwards from 35.5 liters per person in 1998, to an estimated 26.5 in 2006.

Consumption: Quantity in Millions of Liters

Type of Wine	CY 1998	CY 1999	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005
Quality Wine	319.9	306.24	295.9	317.7	321.12	305.13	346.7	375.3
Table Wine	1009.64	983.78	926.66	828.08	800.81	770.58	786.24	687.53
Sparkling Wines	53.75	50.06	55.76	53.45	44.87	46.52	45.75	47.87
Other Wines	31.44	31.58	32.18	34.28	32.47	34.6	37.09	33.88
Total	1414.73	1371.66	1310.5	1233.51	1199.27	1156.83	1215.78	1144.58

Source: Mapa.es



Trade Exports

In terms of value, Spain exports a significant portion of its wine to Germany, the United Kingdom (UK), the United States, and France. While its top three partners (Germany, UK, and the U.S.) import high-quality wines, France generally imports bulk table wines. FAS Iberia expects 2006 exports to be concentrated among these four countries, the rest of the EU, and Switzerland.

Spain: Total Wine Exports (Units: 1,000 USD)						
Partner Country	2001	2002	2003	2004	2005	2006
World	1,266,489	1,319,425	1,677,919	1,934,238	1,948,932	2,223,310
To United States	103,911	128,087	153,989	182,338	199,464	227,165
To EU	923,444	931,634	1,214,528	1,397,845	1,336,051	1,548,128
Germany	257,181	264,034	345,920	390,155	381,679	440,329
United Kingdom	223,256	241,150	292,153	348,969	329,361	382,986
France	63,853	67,262	112,117	156,192	147,681	186,397
Netherlands	73,512	77,756	95,991	94,950	96,351	106,574
Sweden	59,973	65,996	66,832	64,936	60,842	63,919
Portugal	75,414	46,120	60,583	75,465	59,913	63,002
Denmark	65,562	57,759	64,742	60,756	59,244	58,721
Belgium	38,055	27,889	36,972	48,246	53,157	56,032
Italy	10,871	20,292	57,256	59,339	38,195	65,299
Finland	21,587	22,062	24,992	25,181	25,997	27,546
Other EU	34,181	41,314	56,971	73,656	83,630	97,323
To Non EU	304,321	329,777	389,632	441,878	507,243	549,954
Switzerland	67,294	65,862	86,389	89,501	96,458	105,691
Canada	18,264	22,398	29,307	33,394	41,876	46,514
Japan	22,963	23,141	27,532	37,094	39,011	43,762
Mexico	18,519	21,698	25,772	31,096	35,599	39,604
Russia	4,146	8,131	13,086	19,177	31,985	35,322
Norway	17,778	23,161	23,374	22,450	23,374	25,172
Angola	6,864	6,290	1,495	7,172	15,843	13,185
China	2,488	1,134	1,236	2,614	12,634	10,553
Andorra	6,748	7,487	9,320	10,221	10,137	11,636
Dominican Republic	4,614	5,179	5,055	5,613	6,379	6,557
Other Non EU	65,186	70,072	80,230	87,823	93,826	101,937

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis. Products covered are from the EU harmonized tariff schedule numbers 2204 (except 2204.30) and 2005.

In terms of volume, major importers of Spanish wine include France, Germany, Portugal, and the United Kingdom. The U.S. ranks seventh in terms of volume of imports. France, Germany, and Portugal all import a significant amount of Spanish table wines, while the UK remains Spain's principal market for high quality wine exports.

Spain: Total Wine Exports (Units: Hectoliters)

Partner Country	2001	2002	2003	2004	2005	2006
Total Exports	10,572,389	10,365,605	12,809,357	14,689,980	14,504,248	16,244,744
To United States	228,955	278,244	313,827	365,957	414,540	457,970
To EU	8,718,588	8,303,065	10,963,622	12,538,630	11,515,924	13,357,037
France	1,632,099	1,613,724	2,383,413	3,254,190	3,139,332	3,801,031
Germany	1,646,593	1,552,579	2,235,551	2,765,858	2,338,017	2,886,558
Portugal	1,808,853	1,308,021	1,404,316	1,609,923	1,542,032	1,465,107
United Kingdom	1,151,622	1,075,414	1,115,135	1,183,553	1,210,967	1,215,387
Italy	273,361	497,274	1,276,205	1,211,662	649,129	1,221,304
Netherlands	448,012	466,146	462,646	434,770	500,685	484,643
Denmark	417,885	363,461	336,820	307,223	282,196	243,232
Belgium	208,907	219,136	246,580	275,679	281,833	307,146
Sweden	354,317	369,089	336,652	288,695	265,571	245,499
Czech Republic	163,688	184,708	149,082	231,924	185,640	210,344
Other EU	306,625	326,756	508,612	487,577	560,261	638,394
To Non-EU	1,931,470	2,111,052	2,040,519	2,272,970	3,134,044	3,068,131
Russia	45,079	135,442	174,804	279,842	574,493	602,900
Switzerland	305,163	272,094	317,129	320,842	332,482	340,558
Angola	134,080	148,680	30,011	142,137	288,566	239,423
China	49,728	20,806	12,100	24,336	285,515	221,028
Canada	66,269	83,082	105,555	134,645	188,243	204,212
Cote d'Ivoire	245,354	275,429	237,933	146,210	117,720	89,183
Japan	89,297	87,774	95,059	105,295	116,483	120,350
Moldova	0	0	40	14,568	109,076	94,553
Equatorial Guinea	110,215	124,005	129,944	137,943	105,687	123,024
Togo	46,419	49,880	58,841	78,051	75,050	87,278
Other Non EU	0	913,859	879,103	889,100	940,731	945,622

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis.

Products covered are from the EU harmonized tariff schedule numbers 2204 (except 2204.30) and 2005.

Spain: Must Exports (Units:1,000 USD)						
Partner Country	2001	2002	2003	2004	2005	2006
World	2,212	7,226	10,170	15,547	11,855	17,728
United States	0	1	2	0	13	11
To EU	2,063	7,143	10,149	15,311	11,805	17,590
France	810	2,765	5,894	5,358	6,597	8,535
Italy	0	3,440	3,419	9,206	4,011	8,152
Germany	656	613	291	405	989	728
Portugal	489	222	340	280	135	98
Luxembourg	106	102	91	55	50	33
To Other EU	2	1	114	6	23	43
To Non EU	149	82	20	236	36	127
Mexico	0	0	0	0	34	27
Ecuador	0	0	0	0	2	2
Costa Rica	0	0	0	4	0	2
Dominican Republic	0	0	8	0	0	2
Gibraltar	0	6	12	8	0	6
To Other Non-EU	126	76	0	31	0	2

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis. Products covered are from the EU harmonized tariff schedule number 2204.30

Spain: Must Exports (Units:Hectoliters)						
Partner Country	2001	2002	2003	2004	2005	2006
World	35,643	205,310	242,239	335,350	292,916	370,097
To United States	0	0	0	0	39	31
To EU	34,224	204,829	242,111	333,443	292,784	369,835
Italy	2	125,514	113,551	234,339	143,048	195,000
France	18,412	63,087	112,225	90,518	141,471	167,208
Germany	5,591	11,890	10,489	4,958	6,821	6,608
Luxembourg	2,902	2,647	2,186	1,168	970	372
Portugal	7,306	1,689	2,401	2,398	262	200
Other EU	11	3	1,259	60	213	447
To Other Non-EU	1,419	481	127	1,907	94	231
Mexico			0	0	92	123
Chad			0	1,683	0	0
Gibraltar	0	7	12	8	0	6
Melilla	11	22	0	16	0	2
Nigeria	450	0	0	187	0	0
To Other Non-EU	958	453	115	13	1	100

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis. Products covered are from the EU harmonized tariff schedule number 22.04.30.

Spain: Must Exports (Units:1,000 USD)						
Partner Country	2001	2002	2003	2004	2005	2006
World	2,212	7,226	10,170	15,547	11,855	17,728
United States	0	1	2	0	13	11
To EU	2,063	7,143	10,149	15,311	11,805	17,590
France	810	2,765	5,894	5,358	6,597	8,535
Italy	0	3,440	3,419	9,206	4,011	8,152
Germany	656	613	291	405	989	728
Portugal	489	222	340	280	135	98
Luxembourg	106	102	91	55	50	33
To Other EU	2	1	114	6	23	43
To Non EU	149	82	20	236	36	127
Mexico	0	0	0	0	34	27
Ecuador	0	0	0	0	2	2
Costa Rica	0	0	0	4	0	2
Dominican Republic	0	0	8	0	0	2
Gibraltar	0	6	12	8	0	6
To Other Non-EU	126	76	0	31	0	2

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis. Products covered are from the EU harmonized tariff schedule number 2204.30

Spain: Must Exports (Units:Hectoliters)						
Partner Country	2001	2002	2003	2004	2005	2006
World	35,643	205,310	242,239	335,350	292,916	370,097
To United States	0	0	0	0	39	31
To EU	34,224	204,829	242,111	333,443	292,784	369,835
Italy	2	125,514	113,551	234,339	143,048	195,000
France	18,412	63,087	112,225	90,518	141,471	167,208
Germany	5,591	11,890	10,489	4,958	6,821	6,608
Luxembourg	2,902	2,647	2,186	1,168	970	372
Portugal	7,306	1,689	2,401	2,398	262	200
Other EU	11	3	1,259	60	213	447
To Other Non-EU	1,419	481	127	1,907	94	231
Mexico			0	0	92	123
Chad			0	1,683	0	0
Gibraltar	0	7	12	8	0	6
Melilla	11	22	0	16	0	2
Nigeria	450	0	0	187	0	0
To Other Non-EU	958	453	115	13	1	100

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis. Products covered are from the EU harmonized tariff schedule number 22.04.30.

Imports

In terms of value, Spain imports a high percent of its wine from other major Mediterranean wine producing countries including France, Italy, and Portugal. High-quality, “New World” wines from countries like Chile, Argentina, and the U.S. continue to gain market share within Spanish market.

Spain: Total Wine Imports (Units 1000 USD)						
Partner Country	2001	2002	2003	2004	2005	2006
Total Imports	64,052	76,769	103,821	131,051	145,357	169,278
From US	500	418	428	764	832	891
From EU	59,463	71,940	98,840	124,764	138,054	161,614
France	33,340	41,354	51,420	55,061	69,992	76,337
Italy	12,623	12,043	22,239	33,477	41,444	48,088
Portugal	9,516	11,874	15,769	28,109	16,134	25,122
Netherlands	391	1,085	3,841	1,195	3,989	4,292
Germany	1,928	2,041	2,737	4,253	3,113	4,189
United Kingdom	433	1,034	1,405	972	1,150	1,410
Belgium	253	254	159	158	631	489
Denmark	152	78	40	79	488	369
Hungary	325	341	524	442	367	455
Sweden	182	630	90	252	224	188
From Other EU	321	1,007	345	451	283	292
From Non-EU						
Chile	1,540	2,068	2,419	2,757	2,464	3,011
Argentina	862	871	976	1,347	1,649	1,756
Australia	307	319	491	447	692	720
Switzerland	352	508	300	537	304	380
South Africa	3	98	88	88	293	285
New Zealand	47	113	10	77	252	212
China	56	21	142	11	238	200
Romania	0	19	27	115	180	205
Mexico	61	18	0	0	126	75
Norway	11	72	57	28	93	88
From Other Non-EU	851	500	314	431	419	223

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis. Products covered are from the EU harmonized tariff schedule number 2204.30

In terms of volume, Spain continues to import most of its wine from its neighbors, Italy, France, and Portugal. The volume of U.S. trade significantly lags many of its competitors.

Spain: Total Wine Imports (Units: Hectoliters)						
Partner Country	2001	2002	2003	2004	2005	2006
World	251,861	260,684	289,084	290,428	352,527	358,239
United States	319	215	283	422	477	500
From EU	234,767	246,481	272,998	268,944	332,958	336,882
Italy	101,840	67,288	104,776	144,227	178,473	188,382
France	79,789	75,557	39,294	36,657	66,534	39,943
Portugal	37,011	66,814	105,879	60,147	56,969	75,338
Germany	10,044	15,586	14,327	20,174	17,281	21,201
Denmark	558	331	53	350	4,339	3,400
Netherlands	1,404	2,172	4,643	1,664	3,450	3,742
United Kingdom	897	11,744	1,752	1,289	2,853	1,744
Belgium	718	848	254	766	1,142	976
Sweden	654	4,336	211	1,695	781	819
Greece	912	788	792	820	678	668
From Other EU	940	1,018	1,016	1,155	457	668
From Non EU	16,775	13,988	15,804	21,062	19,092	23,081
Chile	4,979	6,856	8,957	13,429	6,661	11,158
Argentina	2,841	3,012	3,628	4,207	4,754	5,194
China	862	225	1,437	97	2,164	1,700
Australia	311	430	572	632	1,714	1,634
Romania	0	64	107	404	627	718
Norway	55	414	101	90	618	496
South Africa	6	325	144	93	535	468
Mexico	204	60	0	0	337	182
New Zealand	78	190	12	33	328	231
Japan	1,076	594	9	95	328	300
From Other Non EU	6,363	1,818	838	1,984	1,027	1,000

Source: Global Trade Atlas up until 2005, FAS/Iberia estimates for 2006. **Note:** Data is on a calendar year (CY) basis. Products covered are from the EU harmonized tariff schedule numbers 2204 (except 2204.30) and 2005.

Trade Matrices

Import Trade Matrix

Country	Spain	
Commodity	Wine	
Time Period	Sept/Aug	Units: Hectoliters
Imports for:	2004/2005	2005/2006
U.S.	582	328
Others	Others	
Italy	170,170	Italy 237,164
France	60,382	Portugal 158,832
Portugal	51,738	France 58,965
Germany	16,688	Germany 15,812
Denmark	3,922	United Kingdom 5,160
Other EU	8,078	Other EU 6,740
Chile	9,675	Chile 7,856
Argentina	4,737	Argentina 5,503
China	1,569	Morocco 4,770
Australia	1,427	Australia 4,317
Switzerland	769	China 1,591
Total for Others	329,155	506,710
Others not Listed	3,609	2,905
Grand Total	333,346	509,942

Export Trade Matrix

Country	Spain	
Commodity	Wine	
Time Period	Sept/Aug	Units: Hectoliters
Imports for:	2004/2005	2005/2006
U.S.	390,696	472,290
Others	Others	
Italy	3,225,076	France 2,459,259
France	2,394,261	Germany 2,244,337
Portugal	1,541,112	Portugal 1,227,308
Germany	1,210,857	United Kingdom 1,219,834
Denmark	829,066	Italy 586,261
Other EU	2,076,902	Other EU 2,051,711
Russia	427,871	Russia 846,123
Switzerland	329,458	Angola 417,878
Angola	224,855	Switzerland 322,098
China	182,745	China 309,797
Canada	137,844	Canada 225,620
Total for Others	12,580,046	11,910,227
Others Not Listed	1,389,796	1,635,310
Grand Total	14,360,538	14,017,827

Import Tariffs

Spanish wine imports are subject to EU tariffs.

EU Wine Import Tariffs Currently in Effect		
Customs Number Code	Description	Tariffs
Bottled Wines		
2204.10	Sparkling Wines	32 €/hl
2204.21.10	Other Wine: In containers of 2 L or less	32 €/hl
2204.21.11 - 2204.21.22	Quality wine psr under 13 percent alcohol content	13.1 €/hl
2204.21.23	Quality wine psr: Tokaj	14.8 €/hl
2204.21.24 - 2204.21.80	Quality wine psr: under 13 percent alcohol content (cont.)	13.1 €/hl
2204.21.81 - 2204.21.85	Quality wine psr: between 13-15 percent alcohol content	15.4 €/hl - 15.8 €/hl
2204.21.87 - 2204.21.94	Quality wine psr: between 15-18 percent alcohol content	14.8 €/hl - 18.6 €/h
2204.21.95 - 2204.91.98	Quality wine psr: between 18-22 percent alcohol content	15.8 €/hl - 20.9 €/hl
2204.21.99	Quality wine psr: over 22 percent alcohol content	1.75 €/ % vol/hl
Bulk Wines		
2204.29.10	Other Wine:	32 €/hl
2204.29.11	Tokaj	13.1 €/hl
2204.29.12 - 2204.29.75	Quality wine psr under 13 percent alcohol content	9.9 €/hl
2204.29.77 - 2204.29.84	Quality wine psr: between 13-15 percent alcohol content	12.1 €/hl - 14.2 €/hl
2204.29.87 - 2204.29.94	Quality wine psr: between 15-18 percent alcohol content	12.1 €/hl - 15.4 €/hl
2204.29.95 - 2204.29.98	Quality wine psr: between 18-22 percent alcohol content	13.1 €/hl - 20.9 €/h
2204.29.99	Quality wine psr: over 22 percent alcohol content	1.75 €/ % vol/hl
Grape Must		
2204.30.10	Grape must	32 €/hl
Vermouth- Bottled		
2205.10.10	Vermouth: under 18 percent alcohol content	10.9 €/hl
2205.10.90	Vermouth: over 18 percent alcohol content	0.9 €/ % vol/hl + 6.4 €/hl
Vermouth- Bulk		
2205.90.10	Vermouth: under 18 percent alcohol content	9 €/hl
2205.90.90	Vermouth: over 18 percent alcohol content	0.9 €/ % vol/hl

[Source: Commission Regulation \(EC\) No 1549/2006](#)

Marketing Industry Promotion

The EC and the Spanish government fund or partially fund many wine sector promotional and informational activities. First, the EC provides assistance and aid to MSs in their marketing in both internal as well as third party markets. Essentially, the EC pays for 50 percent of eligible marketing activities and assists both private organizations and MS governments in a variety of their marketing efforts, including commercial public relations, informational campaigns, participation in trade fairs, and market research studies. For example, in 2005 the EC and the Spanish Ministry of Agriculture (MAPA) paid substantial subsidies for joint (Spain and France) marketing campaigns that promoted high quality European wines within Japan and the United States. Besides assistance from MAPA and the EC, domestic wine producers also receive substantial assistance from the Spanish government's "*Instituto Espanol de Comercio Exterior* (ICEX)." In 2005, ICEX invested substantial efforts to investigate, analyze, and publish information about the wine sector within many foreign export markets.

Labeling Requirements

EC Regulation 753/2002 and the recently signed EU/U.S. wine accord direct the labeling requirements of the wine sector within Spain.⁷ Labeling requirements vary depending conditions such as the type of wine, and how and where it was produced. The EU / U.S. wine agreement clarifies the acceptance of existing wine-making practices and wine descriptions as well as provides a mechanism for further wine specific trade consultation and negotiation. Later phase negotiations will likely continue during 2007. In 2006, Spain also made cork the only legitimate closure within certain regions with a law banning alternative closures for high-quality wine.

The following EC legislation governs marketing and labeling of Spanish wine.

Legislation	Date	Description
Commission Regulation (CE) No 1622/2000	2000	Sets EU regulations regarding oenological practices. Last amended by Commission Regulation (EC) No 1507/2006.
Commission Regulation (EC) No 883/2001	2001	Sets EU regulations regarding trade with third countries. Last amended by Commission Regulation (EC) No 2079/2005.
Commission Regulation (EC) No 2805/95	1995	Sets EU regulations regarding export refunds. Last amended by Commission Regulation (EC) No 2805/95.
Commission Regulation (EC) No 2879/2000	2000	Sets EU regulations regarding agricultural promotion within third countries. Last amended by Commission Regulation (EC) No 67/2005.

⁷ For more information, see the GAIN report E36067 "[EU Wine Labeling Requirements](#)."

Council Regulation (EC) No 2702/1999	1999	Sets EU regulations regarding agricultural promotion within third countries. Last amended by Commission Regulation (EC) No 1346/2005.
Council Regulation (EC) No 2826/2000	2000	Sets EU regulations regarding agricultural promotion within the internal market. Last amended by Commission Regulation (EC) No 1022/2006.

Recent Developments: A Look Ahead

EU policy makers appear to be considering that if the current trend of falling EU consumption, combined with growing imports continues, excess wine production within the EU could increase to 2.7 billion liters (or 15 percent of the total production) by the year 2011. Recently, Mariann Fischer Boel, the current EU Agricultural Commissioner, emphasized this looming “crisis” and criticized current measures such as distillation aid, which she called a “ridiculous waste of taxpayer money.” Alongside this criticism, the EU released a report titled “Towards a sustainable European wine sector” that outlined options and then proposed multiple changes within the wine CMO.⁸ First, the report requested an aid budget of 2.4 billion euros for “grubbing up” 400,000 more hectares within the EC. In a move similar to the recent sugar reform, this adjustment would encourage uncompetitive producers to exit the industry. Following this adjustment, the EU would then abolish all restrictions on planting rights and the market would ideally correct itself.

While Spain appears to have welcomed the additional aid to further improve the industry, Spanish producers expressed their strong discontent with this proposed abandonment scheme and other CMO reforms. MAPA insisted that any reform be balanced with the interests of the grape grower and the industry as a whole. Reportedly, MAPA will not agree to any measure that reduces Spanish wine producing capacity.⁹ It is believed that the Spain favors increased and improved marketing of the high-quality wine, rather than a reduction in production capacity to solve the EU's perpetual wine glut.

⁸ See press release: [“EU Wine sector: the need for urgent reform.”](#)

⁹ See GAIN Report [“Reform of the Wine Sector”](#) and [official memorandum](#) signed by the Spanish Government in response to the proposed changes.

Appendix: European Agricultural Guidance and Guarantee Fund (EAGGF) Tables

Total EAGGF Expenditure

Country	2001	2002	2003	2004	2005
Spain	470.4	416.8	416.8	441.2	461.8
France	222.5	310.6	284.8	245.8	270.4
Italy	381.8	430.4	382.9	313.1	364
Portugal	55.5	67.6	69.5	69.5	73.8
Others	71.2	128.3	62.3	30.6	96.9
Total	1201.4	1353.7	1216.3	1100.2	1266.9

EAGGF Expenditure: Export Refunds

Country	2001	2002	2003	2004	2005
Spain	13.7	14.6	13.1	10	13.9
France	1.4	1.5	1.6	0.9	0.7
Italy	4.9	0	2.9	0.9	0.6
Portugal	1.2	0	1.1	1.3	2.1
Others	1.1	7.6	0.9	0	0
Total	22.3	23.7	19.6	13.1	17.3

EAGGF Expenditure: Storage of Wine and Musts

Country	2001	2002	2003	2004	2005
Spain	21.7	22.2	18.5	20.8	30.7
France	11.3	9.9	6.6	5.1	6.1
Italy	25.4	31.9	22.8	20.5	27.2
Portugal	0.8	2.2	2.4	1.5	2
Others	2.5	2.4	2.9	2.3	3.6
Total	61.7	68.6	53.2	50.2	69.6

EAGGF Expenditure: Distillation Aid

Country	2001	2002	2003	2004	2005
Spain	179.9	170.9	164.3	185.8	178.2
France	45	86.6	63.3	35.8	45.4
Italy	118.4	139.3	44.9	56.1	77.9
Portugal	11.3	15.5	18.3	12.4	12.9
Others	21.1	8.4	6.6	3.6	5.9
Total	375.7	420.7	297.4	293.7	320.3

Country	2001	2002	2003	2004	2005
Spain	68.7	72.2	44.3	56.2	70.1
France	108.3	112	75.8	61.4	74.4
Italy	33.9	65.6	89	27.1	30.5
Portugal	5.5	11.3	10.4	7.2	6.9
Others	2.4	0.2	0.8	1	3.3
Total	218.8	261.3	220.3	152.9	185.2

EAGGF Expenditure: Use of Musts

Country	2001	2002	2003	2004	2005
Spain	14.9	14.8	18.1	18.4	21.2
France	31.7	17.9	35.1	21.6	26.4
Italy	84.3	90	100.8	89.2	125.8
Portugal	6.1	6.1	3.7	3	4.3
Others	13.3	12.4	15.8	8.6	20.5
Total	150.3	141.2	173.5	140.8	198.2

EAGGF Expenditure: Abandonment Premiums

Country	2001	2002	2003	2004	2005
Spain	0	0	0	0	0
France	6.1	11.8	7	9.2	9.2
Italy	-0.1	-0.1	-0.1	-0.1	-0.1
Portugal	0	0			
Others	6.1	2.3	5.2	2	21.4
Total	12.1	14	12.1	11.1	30.5

EAGGF Expenditure: Restructuring and Conversion

Country	2001	2002	2003	2004	2005
Spain	171.5	188.7	158.5	150	147.7
France	18.7	70.9	95.4	111.8	108.2
Italy	115	103.6	122.5	119.3	102
Portugal	30.6	32.5	33.6	28.3	45.6
Others	24.7	28.5	30.2	29	42.3
Total	360.50	424.20	440.20	438.40	445.80

